

# LYNCHBURG CITY COUNCIL

## Agenda Item Summary

MEETING DATE: **May 23, 2006, Work Session**

AGENDA ITEM NO.: 1

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Proposals for the Distribution of Budgeted Funds for Tax Relief for the Elderly and Handicapped**

RECOMMENDATION: Adopt the preferred protocol for the distribution of funds budgeted for tax relief in Fiscal Year 2007.

SUMMARY: During a Council work session on the FY 2007 Budget there was further discussion on how funds budgeted for tax relief should be distributed. Council asked for a distribution geared to providing relief based primarily on income rather than net worth (after the basic qualifications for net worth and income were met). Furthermore, Council suggested that the amount of relief should be tied to how the household income compared to Federal poverty level guidelines.

The Commissioner of the Revenue has provided three scenarios for Council's consideration. Each was developed based on a 10% sample of approved applications from the current year, so the totals are estimates. Scenario A partially follows Council's guidance in that individuals with incomes less than 150% of the Federal poverty guidelines would receive 100% relief. It also minimizes the negative impact on those already receiving relief under the current protocol. Scenario B completely follows Council's guidance in that individuals with incomes greater than 200% of the Federal poverty guidelines would receive no relief. This scenario significantly reduces the tax relief currently being provided. A third alternative, Scenario C is also presented. This would provide a lump sum to anyone who met the basic qualifications. The lump sum would be calculated by dividing the number of qualified applicants into the amount of funds budgeted for the program. The attraction of this approach is the simplicity of administration. Scenarios A and B require significant staff work to administer.

Mitch Nuckles will be present during Council's work session to discuss the three scenarios.

PRIOR ACTION(S): Council Budget Work Session of April 11, 2006.

FISCAL IMPACT: \$571,550 has been budget in FY 2007 for tax relief. Scenario A is projected to cost \$557,198; Scenario B is projected to cost \$467,099; Scenario C is projected to cost \$570,900. All scenarios are based on 1100 qualifying applicants.

CONTACT(S): Kimball Payne, 455-3990; Mitch Nuckles, 455-3871

ATTACHMENT(S): Scenarios A, B, and C; Federal Poverty Guidelines

REVIEWED BY: lkp

**TAX RELIEF PROPOSED FY07 - USING 2005 FEDERAL POVERTY GUIDELINES  
BASED ON 100/75/50/25% RELIEF  
BASED ON A 10% SAMPLE**

% TOT APP'S	CATEGORY	INCOME RANGE	AVERAGE INCOME	AVERAGE VALUE	AVERAGE TAX	PROPOSED AMOUNT OF RELIEF (1100 APP'S)	2006 AVERAGE PROPOSED RELIEF %	2005 TOTAL % RELIEF BY INCOME	AVERAGE INC/DEC RELIEF 05-06	2006		POVERTY GUIDELINES	
										# CITIZENS WITH MORE OR LESS RELIEF	PROPOSED # CITIZENS WITH NO TAX RELIEF	% FED POVERTY LEVEL	INCOME LIMIT FOR RELIEF
34	SINGLE	0 - 13,778	10,399	54,078	600	225,609	100%	100%	0%	0	0	150%	14,355
7	SINGLE	14,620 - 16,528	15,292	82,275	913	50,235	75%	100%	-25%	(77)	0	175%	16,747
8	SINGLE	16,800 - 18,942	17,906	82,011	910	37,557	50%	91%	-41%	(88)	0	200%	19,140
5	SINGLE	19,579 - 21,044	20,367	69,217	768	10,560	25%	60%	-35%	(55)	0	225%	21,533
5	SINGLE	21,850 - 25,322	23,107	68,100	755	0	0%	76%	-76%	(55)	55		
11	APP+SPOUSE	11,088 - 18,858	14,919	70,523	783	93,283	100%	91%	9%	121	0	150%	19,245
5	APP+SPOUSE	20,071 - 21,948	21,041	60,633	673	27,767	75%	60%	15%	55	0	175%	22,452
6	APP+SPOUSE	22,500 - 25,477	23,820	77,114	856	27,464	50%	76%	-26%	(66)	0	200%	25,660
4	APP+SPOUSE	25,762 - 28,170	26,786	80,320	892	10,221	25%	75%	-50%	(44)	0	225%	28,868
													<b>30,000</b>
1	APP+SPOUSE	30,238	30,238	92,200	1,023	0	0%	0%					
7	APP+RELATIVE	0 - 19,146	12,688	56,988	633	46,385	100%	62%	38%	77	0	150%	19,245
2	APP+RELATIVE	21,752 - 22,148	21,950	36,650	407	5,601	75%	60%	15%	22	0	175%	22,453
1	APP+RELATIVE	24,776	24,776	99,100	1,100	5,042	50%	62%	-12%	(11)	0	200%	25,660
2	APP+RELATIVE	26,416 - 28,348	27,382	52,350	581	2,668	25%	75%	-50%	(22)	0	225%	28,868
2	APP+RELATIVE	29,232 - 29,991	29,611	112,350	1,247	0	0%	65%	-65%	(22)	22		
1	APP+SP+REL	21,684	21,684	35,500	394	3,612	100%	60%	40%	11	0	150%	24,135
1	APP+SP+REL	25,785	25,785	146,700	1,628	11,193	75%	76%	-1%	(11)	0	175%	28,158
													<b>30,000</b>
1	APP+SP+REL	43,818	43,818	93,200	1,035	0	0%	0%					
100						557,198				(165)	77		

B

**TAX RELIEF PROPOSED FY07 - USING 2005 FEDERAL POVERTY GUIDELINES  
BASED ON 100/50/25% RELIEF  
BASED ON A 10% SAMPLE**

% TOT APP'S	CATEGORY	INCOME RANGE	AVERAGE INCOME	AVERAGE VALUE	AVER TAX	PROPOSED AMOUNT OF RELIEF (1100 APP'S)	2006 PROPOSED RELIEF %	2005 TOTAL % RELIEF BY INCOME	AVERAGE INC/DEC RELIEF 05-06	2006		POVERTY GUIDELINES	
										# CITIZENS WITH MORE OR (LESS) RELIEF	# CITIZENS WITH NO TAX RELIEF	% FED POVERTY LEVEL	INCOME LIMIT FOR RELIEF
34	SINGLE	0 - 13,778	10,399	54,078	600	225,609	100%	100%	0%	0	0	150%	14,355
7	SINGLE	14,620 - 16,528	15,292	82,275	913	33,490	50%	100%	-50%	(77)	0	175%	16,747
8	SINGLE	16,800 - 18,942	17,906	82,011	910	18,780	25%	91%	-66%	(88)	0	200%	19,140
5	SINGLE	19,579 - 21,044	20,367	69,217	768	0	0%	60%	-60%	(55)	55	225%	21,533
5	SINGLE	21,850 - 25,322	23,107	68,100	755	0	0%	76%	-76%	(55)	55		
11	APP+SPOUSE	11,088 - 18,858	14,919	70,523	783	93,283	100%	91%	9%	121	0	150%	19,245
5	APP+SPOUSE	20,071 - 21,948	21,041	60,633	673	18,500	50%	60%	-10%	(55)	0	175%	22,452
6	APP+SPOUSE	22,500 - 25,477	23,820	77,114	856	13,730	25%	76%	-51%	(66)	0	200%	25,660
4	APP+SPOUSE	25,762 - 28,170	26,786	80,320	892	0	0%	75%	-75%	(44)	44	225%	28,868
													<b>30,000</b>
1	APP+SPOUSE	30,238	30,238	92,200	1,023	0	0%	0%	0%	0			
7	APP+RELATIVE	0 - 19,146	12,688	56,988	633	46,385	100%	62%	38%	77	0	150%	19,245
2	APP+RELATIVE	21,752 - 22,148	21,950	36,650	407	3,730	50%	60%	-10%	(22)	0	175%	22,453
1	APP+RELATIVE	24,776	24,776	99,100	1,100	2,520	25%	62%	-37%	(11)	0	200%	25,660
2	APP+RELATIVE	26,416 - 28,348	27,382	52,350	581	0	0%	75%	-75%	(22)	22	225%	28,868
2	APP+RELATIVE	29,232 - 29,991	29,611	112,350	1,247	0	0%	65%	-65%	(22)	22		
1	APP+SP+REL	21,684	21,684	35,500	394	3,612	100%	60%	40%	11	0	150%	24,135
1	APP+SP+REL	25,785	25,785	146,700	1,628	7,460	50%	76%	-26%	(11)	0	175%	28,158
													<b>30,000</b>
1	APP+SP+REL	43,818	43,818	93,200	1,035	0	0%	0%					
100						467,099				(319)	198		

5/17/2006

**TAX RELIEF PROPOSED FY07  
WITH A FLAT RATE OF \$519 FOR ALL APPLICANTS  
BASED ON A 10% SAMPLE**

% TOT APP'S	CATEGORY	INCOME RANGE	AVERAGE INCOME	AVERAGE VALUE	AVERAGE TAX	PROPOSED AMOUNT OF RELIEF (1100 APP'S)	2006 AVERAGE PROPOSED RELIEF %	2005 TOTAL % RELIEF BY INCOME	AVERAGE INC/DEC RELIEF 05-06	# CITIZENS WITH MORE OR LESS RELIEF	2006 PROPOSED # CITIZENS WITH NO TAX RELIEF	POVERTY GUIDELINES	
												% FED POVERTY LEVEL	INCOME LIMIT FOR RELIEF
34	SINGLE	0 - 13,778	10,399	54,078	600	197,220	87%	100%	-13%	(374)	0	150%	14,355
7	SINGLE	14,620 - 16,528	15,292	82,275	913	36,330	57%	100%	-43%	(77)	0	175%	16,747
8	SINGLE	16,800 - 18,942	17,906	82,011	910	41,520	57%	91%	-34%	(88)	0	200%	19,140
5	SINGLE	19,579 - 21,044	20,367	69,217	768	31,140	68%	60%	8%	55	0	225%	21,533
5	SINGLE	21,850 - 25,322	23,107	68,100	755	31,140	69%	76%	-7%	(55)	0		
11	APP+SPOUSE	11,088 - 18,858	14,919	70,523	783	62,280	66%	91%	-25%	(121)	0	150%	19,245
5	APP+SPOUSE	20,071 - 21,948	21,041	60,633	673	31,140	77%	60%	17%	55	0	175%	22,452
6	APP+SPOUSE	22,500 - 25,477	23,820	77,114	856	31,140	61%	76%	-15%	(66)	0	200%	25,660
4	APP+SPOUSE	25,762 - 28,170	26,786	80,320	892	25,950	58%	75%	-17%	(44)	0	225%	28,868
													<b>30,000</b>
1	APP+SPOUSE	30,238	30,238	92,200	1,023	0	0%	0%					
7	APP+RELATIVE	0 - 19,146	12,688	56,988	633	36,330	82%	62%	20%	77	0	150%	19,245
2	APP+RELATIVE	21,752 - 22,148	21,950	36,650	407	10,380	128%	60%	68%	22	0	175%	22,453
1	APP+RELATIVE	24,776	24,776	99,100	1,100	5,190	47%	62%	-15%	(11)	0	200%	25,660
2	APP+RELATIVE	26,416 - 28,348	27,382	52,350	581	10,380	89%	75%	14%	22	0	225%	28,868
2	APP+RELATIVE	29,232 - 29,991	29,611	112,350	1,247	10,380	42%	65%	-23%	(22)	0		
1	APP+SP+REL	21,684	21,684	35,500	394	5,190	132%	60%	72%	11	0	150%	24,135
1	APP+SP+REL	25,785	25,785	146,700	1,628	5,190	32%	76%	-44%	11	0	175%	28,158
													<b>30,000</b>
1	APP+SP+REL	43,818	43,818	93,200	1,035	0		0%					
100						570,900				(605)			

5/17/2006



## 2005 Federal Poverty Guidelines

Size of Family Unit	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$ 9,570	\$11,950	\$11,010
2	12,830	16,030	14,760
3	16,090	20,110	18,510
4	19,350	24,190	22,260
5	22,610	28,270	26,010
6	25,870	32,350	29,760
7	29,130	36,430	33,510
8	32,390	40,510	37,260
For each additional person, add	3,260	4,080	3,750
SOURCE: Federal Register, Vol. 70, No. 33, February 18, 2005, pp. 8373-8375. <a href="http://aspe.hhs.gov/poverty/05/poverty.shtml">http://aspe.hhs.gov/poverty/05/poverty.shtml</a>			

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